

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

June 23, 2011

PUBLIC SESSION

A monthly meeting of the Board of Directors (the “Board”) of the Small Business Loan Fund Corporation (the “Corporation”) was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on June 23, 2011 at approximately 9:30 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Richard DeMerchant, Mr. William Parsons, Mr. Thomas Stocker and Mrs. Leslie Taito.

The following Director(s) were absent: Mr. Raymond Fogarty.

Also present were: Sean W. Esten, Corporation Administrator, Steven Noack, Corporation Administrator, Stacy Farrell, Corporation Staff, Susan Morgan, Corporation Administrator, Earl F. Queenan, interim Managing Director of Financial Services, and Tom Moses, Legal Counsel, Moses & Afonso, Ltd.

Mr. DeMerchant presided over the meeting.

1. Call to Order.

Mr. DeMerchant called the meeting to order at 9:35 a.m.

2. Approval of the Minutes of the Meeting Held on May 26, 2011.

The first item to come before the Board was approval of the Public Session Minutes and the Executive Session Minutes of the Board meeting held on May 26, 2011. Mr. Stocker pointed out that on page 4 of the minutes, the notes indicated that motion regarding the appointment of Sue Morgan as Administrator read “accepted the resignation of Earl Queenan” as the motion. This should indicate the motion was made to “accept the appointment of Sue Morgan as Administrator”. Mrs. Farrell noted the change to be made. Upon motion duly made by Mr. Parsons and seconded by Mrs. Taito, the motion to approve the Public Session Minutes, with the above mentioned correction, and the Executive Session Minutes of the meeting held on May 26, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mrs. Taito, Mr. Stocker and Mr. Parsons.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Raymond Fogarty.

3. Maintain the Executive Minutes of May 23, 2011 Confidential.

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on May 26, 2011. Upon motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on May 26, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. Stocker and Mrs. Taito.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Raymond Fogarty.

4. Report of Cash Position as of May 31, 2011.

Mr. Esten presented the report of Cash Position as of May 31, 2011 and asked if there were any questions. Mr. Esten indicated that he could remove the **Investment Funds** section on the first page going forward as they were no longer used. There were no questions from the Board regarding this report.

5. Delinquency Loan Report as of May 31, 2011 and Charge-off and Reserve reset for Fiscal Year 2012.

Mr. Stocker suggested that the delinquency report, charge off and reserve allocation be discussed simultaneously. Mr. Stocker questioned why Alidade, ABC Insurance, Whydata and Solid Rock Properties were not shown on the reserve report. He felt they should be included. This led to discussion regarding a need for a procedure to keep charge off and reserve allocation consistent each year. Mr. Esten suggested that staff could develop a risk rating system, one based on credit and another based on collateral. This could then be applied in the event of a default to establish what percentage of the balance should be reserved. Mr. Stocker also suggested that a column be added to the existing delinquency report which would show the amount of anticipated reserve for each as well as the amount of the last payment made. Mr. Esten agreed and suggested that a reserve begin after a delinquency has extended over 180 days.

A motion was made by Mr. Stocker to approve the suggested charge off and reserve allocation with the addition of Alidade, ABC Insurance, Whydata, and Solid Rock Properties to the reserve amount. In addition the Board would like to see the reserve for

Cleanscape increased to \$200,000 from \$150,000. This motion was seconded by Mr. Parsons and was duly adopted.

The following Directors voted in favor of the foregoing: Mrs. Taito, Mr. Stocker and Mr. Parsons.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Raymond Fogarty.

6. Employment and Financial Reporting update and delinquency

Mr. Stocker asked that staff provide more information regarding the actual figures for each business rather than an overall view of the portfolio regarding employment reporting. Mr. Esten advised that this information could be made available at the next meeting. Mr. DeMerchant questioned why the default rate was not being imposed until July 31st for the financial reporting if the information was due at the end of March. Mr. Esten indicated that this was the first year a policy was in place indicating a default rate would be implemented and he felt the additional time frame gave current borrowers significant time to comply. Going forward the timeline could be shortened. There were no other questions or discussions from the Board.

7. Executive Session

Mr. DeMerchant suggested that the Board move into Executive Session. Upon motion duly made by Mr. Parsons and seconded by Mrs. Taito, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. Stocker and Mrs. Taito.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Fogarty.

Public session concluded and executive session began at 10:15 a.m.

8. Return to Public Session

Upon a motion duly made by Mr. Stocker and seconded by Mr. Parsons, the motion to conclude executive session and return to public session was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Stocker, Mr. Parsons and Mrs. Taito.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Fogarty.

Executive session concluded and public session began at 12:08 a.m.

9. Executive Session Vote Ratification

Mr. DeMerchant called for ratification of the votes adopted during Executive Session. Upon motion duly made by Mr. Stocker and seconded by Mr. Parsons, the following votes were ratified:

- (a) To approve the request for a final advance of funds for Healthy Babies, Happy Moms.
- (b) To approve the request for a \$200,000 loan by Epoch Sleep Centers, LLC.
- (c) To approve the request for a \$250,000 loan by Providence Precision Golf Group, LLC.
- (d) To decline the request for a \$250,000 loan by Packaging 2.0.
- (e) To approve the request for a \$200,000 loan by Schulz Boat.
- (f) To approve the request for a \$250,000 loan by Colonial and increase the request to \$350,000 (\$64,000 existing loan and \$286,000 new loan)

The following Directors voted in favor of the foregoing: Mrs. Taito, Mr. Parsons and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Fogarty.

10. Other Business.

Mr. Queenan updated the Board regarding an application which was being completed by staff for \$13.1 million in funds through the SSBCI (State Small Business Credit Initiative). The application was to be submitted on June 24, 2011. It was anticipated that the funds would be disbursed as follows:

- \$9 million to Slater
- \$2 million to Beta Spring
- \$1.7 million to the Small Business Loan Fund (SBLF)

The funds that were anticipated to be accepted by the SBLF would be used for growth deals and would have a leverage requirement of 10 to 1.

There being no further business to come before the Board, Mr. DeMerchant called for a vote to adjourn the meeting. Upon motion duly made by Mr. Parsons and seconded

by Mrs. Taito, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Stocker, Mrs. Taito and Mr. Parsons.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Fogarty.

The meeting was adjourned at 12:13 p.m.

Respectfully submitted,

/s/ Sean W. Esten
Sean W. Esten, Administrator

G:\DATA\WPDATA\SBLFC\ADMINISTRATION\2011\June 2011\SBLFC Public Minutes (June 2011).doc